SERENGETI
RESOURCES INC.

Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended August 31, 2020 and 2019

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Condensed Consolidated Unaudited Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the condensed consolidated interim unaudited financial statements for the six-month period ended August 31, 2020.

(Unaudited - Expressed in Canadian Dollars)

	Notes	August 31, 2020	February 29, 2020
ASSETS			
Current assets			
Cash and cash equivalents	3	$ 725,663	$ 1,802,817
Receivables	4	167,219	101,370
Due from joint venture partner		-	558
Prepaid expenses		22,975	17,743
		915,857	1,922,488
Non-current assets			
Investment in joint venture	5	16,189,400	15,805,900
Reclamation deposits	8	76,222	54,222
Property, plant and equipment	6	44,353	57,546
Exploration and evaluation assets	7	1,811,143	1,529,562
		18,121,118	17,447,230
TOTAL ASSETS		**$ 19,036,975**	**$ 19,369,718**
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	9,13	$ 210,653	$ 189,059
Current portion of lease payable	10	25,637	24,250
		236,290	213,309
Non-current liabilities			
Lease payable	10	17,169	30,373
Term loan payable	11	40,000	-
Flow-through share premium liability	12	280,530	327,707
TOTAL LIABILITIES		573,989	571,389
SHAREHOLDERS’ EQUITY			
Share capital	12,16	44,531,927	44,453,386
Warrant reserve	12	206,072	206,072
Share-based payment reserve	12	8,652,654	8,615,012
Equity portion of convertible debenture		52,837	52,837
Deficit		(34,980,504)	(34,528,978)
TOTAL SHAREHOLDERS' EQUITY		**18,462,986**	**18,798,329**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 19,036,975**	**$ 19,369,718**

Nature of operations and going concern (Note 1)
Subsequent events (Note 16)

Serengeti Resources Inc.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Unaudited - Expressed in Canadian Dollars)

	Notes	Three month period ended August 31, 2020	Three month period ended August 31, 2019	Six month period ended August 31, 2020	Six month period ended August 31, 2019
Expenses					
Consulting	13	$ 22,038	$ 31,140	$ 43,548	$ 90,615
Conventions and tradeshows		2,294	10,136	9,214	14,342
Corporate development		42,814	12,592	56,564	30,445
Depreciation	6	6,597	7,753	13,193	10,414
Director fees	13	19,000	15,500	38,000	31,739
Investor relations		2,107	7,266	11,347	11,957
Management fees	13	73,706	45,986	119,192	94,699
Office and miscellaneous		11,993	13,828	24,182	30,533
Professional fees		7,385	21,896	19,164	29,210
Project investigation costs		48,279	5,788	69,410	16,323
Salaries		28,601	10,762	48,348	36,412
Share-based payments	12,13	11,946	40,804	37,642	291,556
Transfer agent and filing fees		3,579	7,681	6,538	11,016
		(280,339)	(231,132)	(496,342)	(699,261)
Other Items					
Impairment	7	-	-	(20,056)	-
Interest income		4,868	7,829	11,101	7,838
Share of joint venture loss		-	(1,361)	-	(2,141)
Other income		5,196	-	8,620	-
Interest expense	10	(979)	(1,669)	(2,026)	(2,259)
Management income		-	20,343	-	37,365
Recovery of flow-through share premium	12	43,507	-	47,177	-
		52,592	33,308	44,816	48,969
Loss and comprehensive loss		**$ (227,747)**	**$ (197,824)**	**$ (451,526)**	**$ (650,292)**
Loss per share – basic and diluted		**$ (0.00)**	**$ (0.00)**	**$ (0.00)**	**$ (0.01)**
Weighted average number of common shares outstanding		**109,431,999**	**97,784,451**	**109,302,786**	**95,712,440**

(Unaudited - Expressed in Canadian Dollars)

	Note	Share capital: Number of shares	Share capital: Amount	Warrant reserve	Share-based payment reserve	Equity portion of convertible debentures	Deficit	Total Shareholders' Equity
Balance at February 28, 2019		**92,849,668**	**$ 41,645,496**	**$ -**	**$ 8,007,772**	**$ -**	**$ (31,023,534)**	**$ 18,629,734**
Shares issued for cash - flow-through financing		4,850,000	1,455,000	-	-	-	-	1,455,000
Shares issued for cash - exercise of stock options		100,000	5,000	-	-	-	-	5,000
Shares issued for acquisition of property interests		150,000	40,000	-	-	-	-	40,000
Share issuance costs		-	(12,955)	-	-	-	-	(12,955)
Reallocation of fair market value of stock options exercised		-	3,121	-	(3,121)	-	-	-
Share-based payments		-	-	-	291,556	-	-	291,556
Net loss for the period		-	-	-	-	-	(650,292)	(650,292)
Balance at August 31, 2019		**97,949,668**	**$ 43,135,662**	**$ -**	**$ 8,296,207**	**$ -**	**$ (31,673,826)**	**$ 19,758,043**
Balance at February 29, 2020		**109,173,573**	**$ 44,453,386**	**$ 206,072**	**$ 8,615,012**	**$ 52,837**	**$ (34,528,978)**	**$ 18,798,329**
Shares issued for acquisition of property interests	13	100,000	28,000	-	-	-	-	28,000
Share issuance costs	13	-	(1,159)	-	-	-	-	(1,159)
Share-based payments	12	-	-	-	37,642	-	-	37,642
Shares issued for debt	12	272,104	51,700	-	-	-	-	51,700
Net loss for the period		-	-	-	-	-	(451,526)	(451,526)
Balance at August 31, 2020		**109,545,677**	**$ 44,531,927**	**$ 206,072**	**$ 8,652,654**	**$ 52,837**	**$ (34,980,504)**	**$ 18,462,986**

Serengeti Resources Inc.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited - Expressed in Canadian Dollars)

	Three month period ended August 31, 2020	Three month period ended August 31, 2019	Six month period ended August 31, 2020	Six month period ended August 31, 2019
Operating activities				
Net loss	$ (227,747)	$ (197,824)	$ (451,526)	$ (650,292)
Adjustments for non-cash items:				
Depreciation	6,597	7,753	13,193	10,414
Share of joint venture loss	-	1,361	-	2,141
Interest expense	897	1,662	1,914	2,252
Management fee income	-	(20,343)	-	(37,365)
Share-based payments	11,946	40,804	37,642	291,556
Impairment	-	-	20,056	-
Recovery of flow-through share	(43,507)	-	(47,177)	-
Changes in non-cash working capital items:	-			
Receivables	(68,624)	(59,776)	(65,850)	(58,750)
Due from joint venture partner	558	4,348	558	4,348
Prepaid expenses	(8,294)	(121)	(3,582)	762
Trade payables and accrued liabilities	61,302	33,150	43,006	36,971
Net cash flows used in operating activities	(266,872)	(188,986)	(451,766)	(397,963)
Investing activities				
Exploration and evaluation assets	(229,182)	(793,023)	(244,998)	(828,964)
Investment in joint ventures	(383,500)	(289,900)	(383,500)	(289,900)
Reclamation deposits	(22,000)	(22,462)	(22,000)	(22,462)
Net cash flows used in investing activities	(634,682)	(1,105,385)	(650,498)	(1,141,326)
Financing activities				
Proceeds on issuance of common shares	-	-	-	1,455,000
Share issuance costs	(1,159)	(2,408)	(1,159)	(12,955)
Options exercised for cash	-	5,000	-	5,000
Government loan received	-	-	40,000	-
Lease payable repayments	(6,919)	(8,215)	(13,731)	(10,998)
Net cash flows provided by (used in) financing activities	(8,078)	(5,623)	25,110	1,436,047
Net change in cash and cash equivalents	(909,632)	(1,299,994)	(1,077,154)	(103,242)
Cash and cash equivalents, beginning	1,635,295	1,570,109	1,802,817	373,357
Cash and cash equivalents, ending	**$ 725,663**	**$ 270,115**	**$ 725,663**	**$ 270,115**

1. Nature of operations and going concern

Serengeti Resources Inc. (the "Company" or "Serengeti") was incorporated on March 5, 1973, under the laws of the Province of British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties in Canada. The Company's shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "SIR".

The head office and principal address of the Company is 800 West Pender Street, Suite 520, Vancouver, British Columbia, Canada, V6C 2V6. The Company's registered and records office address is #3200 – 650 West Georgia Street, Vancouver, British Columbia, Canada, V6B 4P7.

Going concern

These condensed consolidated interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At August 31, 2020, the Company had not achieved profitable operations, had a net loss of $451,526 for the period ended August 31, 2020 and accumulated losses of $34,980,504 (February 29, 2020 - $34,528,978) since inception, all of which indicate a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent on its ability to raise equity capital or borrowings sufficient funds to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

Since March 31, 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

2. Significant accounting policies and basis of preparation

These condensed consolidated interim financial statements were authorized for issue by the directors of the Company on October 27, 2020.

Statement of compliance with International Financial Reporting Standards

These condensed consolidated interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee. The accounting policies and methods of computation applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended February 29, 2020 with the exception of the new accounting policy adopted in the current period.

2. Significant accounting policies and basis of preparation (cont'd)

Statement of compliance with International Financial Reporting Standards (cont'd)

The condensed consolidated interim financial statements do not include all of the information and note disclosures required for full annual financial statements and should be read in conjunction with the Company's annual financial statements as at and for the year ended February 29, 2020.

Basis of presentation

These condensed consolidated interim financial statements of the Company have been prepared on a historical cost basis except for some financial instruments classified in accordance with measurement standards under IFRS. These condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise specified.

3. Cash and cash equivalents

The components of cash and cash equivalents are as follows:

		August 31, 2020		**February 29, 2020**
Cash at bank	$	-	$	336,817
Bank overdraft		(4,337)		-
Guaranteed investment certificates		730,000		1,466,000
	$	725,663	$	1,802,817

4. Receivables

		August 31, 2020		**February 29, 2020**
Exploration costs recoverable from KCC	$	148,803	$	43,099
Goods and services tax receivable		8,252		53,023
Other receivables		10,164		5,248
	$	167,219	$	101,370

5. Investment in joint venture – Kwanika Copper Corporation

On November 24, 2017, Serengeti completed a transaction whereby Serengeti, POSCO DAEWOO Corporation, since renamed Posco International Corporation ("PIC") and Kwanika Copper Corporation ("KCC") (formerly Daewoo Minerals Canada Corporation) signed a definitive joint venture agreement (the "JVA") for the exploration and development of the Kwanika property (the "Project"). Pursuant to the JVA, the respective interests of Serengeti and PIC in the Project were transferred to KCC, which serves as the vehicle for the joint venture.

In 2017, PIC contributed a total of $8,300,000 in cash and held 8,200,000 million common shares of KCC (representing 35% of the total issued shares of KCC). Serengeti contributed its 95% ownership of the Kwanika property, in exchange for 15,228,571 common shares of KCC (representing 65% of the total issued shares of KCC).

(Unaudited - Expressed in Canadian Dollars)

5. Investment in joint venture – Kwanika Copper Corporation (cont'd)

During the 2020 fiscal year, an additional $590,000 was contributed to KCC on a pro-rata basis by the two partners to further engineering studies. An additional $680,000 was contributed by Serengeti to KCC towards funding of the calendar 2020 work program.

During the period ended August 31, 2020, an additional $383,500 was contributed by Serengeti to KCC towards funding the calendar 2020 work program.

As at August 31, 2020, total contributions by Serengeti to KCC were $16,297,071 and total contributions by PIC to KCC were $8,506,500.

The Board of Directors and shareholders of KCC have approved a budget for exploration and project optimization to be completed at the Project during calendar 2020. Upon completion, Serengeti will own approximately 67% of KCC as a result of sole funding the calendar 2020 program. PIC has elected not to participate in the 2020 program and as a consequence, will dilute on a pro-rata basis to approximately 33% ownership of KCC.

Serengeti can remain as Project operator so long as it maintains a majority interest. As Project operator, Serengeti received a 10% management fee on expenditures of $7,000,000. Unearned management fee income is included in deferred revenue in the consolidated statement of financial position. Management fee income of $Nil (August 31, 2019 - $37,365) earned from the joint venture in the current period has been recorded in the condensed consolidated interim statement of loss and comprehensive loss for the period ended August 31, 2020.

Serengeti may be granted a 1% net smelter return royalty ("NSR") if its Project interest is diluted below 50% and an additional 0.5% NSR if its interest is diluted below 33 ⅓%, subject to partial buyback provisions to PIC. PIC will have certain concentrate offtake rights from production on the Project, subject to Serengeti's ability to enter into separate streaming arrangements.

Summarized statement of financial position – Kwanika Copper Corporation

		August 31, 2020 (unaudited)
Current assets	$	1,033,377
Non-current assets		24,259,180
Total assets	**$**	**25,292,557**
Current liabilities	$	637,035
Shareholders' equity		
Common shares		
Serengeti Resources Inc.		16,292,071
Posco International Corporation		8,506,500
Deficit		(143,049)
Total shareholders' equity		24,655,522
Total equity and liabilities	**$**	**25,292,557**

(Unaudited - Expressed in Canadian Dollars)

5. Investment in joint venture – Kwanika Copper Corporation (cont'd)

Changes in the investment in joint venture for the period ended August 31, 2020 and year ended February 29, 2020 are as follows:

Balance February 28, 2019	$	14,824,963
Additional investment in joint venture		1,063,500
Share of joint venture loss from March 1, 2019 to February 29, 2020		(12,739)
65% of management fee income earned from joint venture from March 1, 2019 to February 29, 2020		(69,824)
Balance February 29, 2020		15,805,900
Additional investment in joint venture		383,500
Balance August 31, 2020	$	16,189,400

6. Property, plant and equipment

		Leased Office		**Furniture and Equipment**		**Total**
Cost						
Balance February 29, 2020 and August 31, 2020	$	81,564	$	26,956	$	108,520
Accumulated depreciation						
Balance February 29, 2020	$	25,087	$	25,887	$	50,974
Additions		13,033		160		13,193
Balance August 31, 2020		38,120		26,047		64,167
Net book value						
Balance February 29, 2020	$	56,477	$	1,069	$	57,546
Balance August 31, 2020	$	43,444	$	909	$	44,353

The leased office is being amortized on a straight-line basis over the lease term of 3 years.

(Unaudited - Expressed in Canadian Dollars)

7. Exploration and evaluation assets

The following is a description of the Company's exploration and evaluation assets and the related expenditures incurred for the period ended August 31, 2020:

	Milligan West	Top Cat	Other	Total
Property acquisition costs				
Balance, beginning	$ 43,111	$ 64,502	$ 450,776	$ 558,389
Additions	-	50,000	25,038	75,038
Balance, ending	43,111	114,502	475,814	633,427
Exploration and evaluation costs				
Balance, beginning	524,785	176,013	270,375	971,173
Costs incurred during period:				
Aircraft	-	-	32,693	32,693
Assaying	-	18,168	9,769	27,937
Camp and operations	-	17,008	18,583	35,591
Consulting	617	33,349	61,879	95,845
Geophysics	-	7,337	7,337	14,674
Travel and accommodation	-	9,901	9,958	19,859
	617	85,763	140,219	226,599
Other Items:				
Impairment	-	-	(20,056)	(20,056)
Balance, ending	525,402	261,776	390,538	1,177,716
Total	$ 568,513	$ 376,278	$ 866,352	$ 1,811,143

(Unaudited - Expressed in Canadian Dollars)

7. Exploration and evaluation assets (cont'd)

The following is a description of the Company's exploration and evaluation assets and the related expenditures incurred for the year ended February 29, 2020:

	Atty	Milligan West	Top Cat	Other	Total
Property acquisition costs					
Balance, beginning	$ 126,551	$ 43,111	$ -	$ 817,039	$ 986,701
Additions	25,797	-	64,502	15,168	105,467
Balance, ending	152,348	43,111	64,502	832,207	1,092,168
Exploration and evaluation costs					
Balance, beginning	378,916	521,816	-	558,382	1,459,114
Costs incurred during year:					
Aircraft	273,208	-	28,145	80,808	382,161
Assaying	59,628	-	9,098	11,807	80,533
Camp and operations	95,161	-	71,099	39,083	205,343
Consulting	89,866	3,107	50,601	84,067	227,641
Drilling	323,273	-	-	-	323,273
Geophysics	112,912	-	-	120,920	233,832
Software purchased	-	-	270	-	270
Storage	-	2,472	-	4,538	7,010
Travel and accommodation	103,336	-	16,800	16,362	136,498
	1,057,384	5,579	176,013	357,585	1,596,561
Other Items:					
Exploration tax credits	(113,675)	(2,610)	-	(40,812)	(157,097)
Cost recoveries	-	-	-	(558)	(558)
Impairment	(1,474,973)	-	-	(985,653)	(2,460,626)
Balance, ending	(152,348)	524,785	176,013	(111,056)	437,394
Total	$ -	$ 567,896	$240,515	$ 721,151	$ 1,529,562

7. Exploration and evaluation assets (cont'd)

a) ATTY and ATG Claims

The Company entered into an agreement to acquire a 100% interest in the Atty property from Finlay Minerals Ltd. ("Finlay") and adjacent claims ("ATG Claims") from Electrum Resource Corp. ("Electrum") on March 4, 2018 and the agreement was approved by the TSX-V on April 10, 2018.

The Company issued 25,000 shares at fair value of $6,500 to each of the Kwadacha First Nation and Tsay Keh Dene Nation pursuant to the exploration agreement on the Atty property.

In the prior year, upon review of the exploration results obtained in the 2019 drilling program, the Company made a decision to discontinue its option for the acquisition of a 100% interest in the Atty property from Finlay Minerals Ltd. and adjacent ATG Claims from Electrum Resources Corp., returning these properties to the vendors. No further work payments were due at the time. The Atty property was impaired in full during the year ended February 29, 2020.

During the period ended August 31, 2020, the Company also recorded an impairment of $20,056 on the ATG property.

b) Milligan West

The Company owns a 56.3% interest in the Milligan West property in joint venture with Fjordland Exploration Inc., an arm's-length company also listed on the TSX-V.

c) Top Cat

On July 19, 2019, the Company optioned the Top Cat claims.

The Company may earn a 100% interest by:

- Making staged cash payments totaling $340,000 over 5 years; $18,000 of which was paid on signing. On November 7, 2019, the Company issued 83,333 shares at a fair value of $18,333 in lieu of cash payment pursuant to the option agreement. On July 13, 2020, the Company paid $22,000 pursuant to the option agreement;

(Unaudited - Expressed in Canadian Dollars)

7. Exploration and evaluation assets (cont'd)

c) Top Cat (cont'd)

- Issuing a total of 1,500,000 common shares in stages over a 5-year period. On August 2, 2019, 100,000 shares with a fair value of $27,000 were issued upon TSX-V approval of the option agreement. On July 13, 2020, the Company issued 100,000 shares with fair value of $28,000 pursuant to the option agreement;
- Incurring a total of $1,250,000 in exploration expenditures over a 5-year period with a minimum of $100,000 to be spent before the first anniversary of the agreement, which expenditure was made;
- Granting the optionors a 3% NSR on the property, subject to the Company's right to purchase a 2% NSR for $2,000,000 at any time prior to the first anniversary of commercial production.

d) Net Smelter Return Royalties – Thor Marmot and Deer Lake Properties

During the year ended February 28, 2019, the Company acquired NSR's of 0.75% on each of the Thor Marmot and Deer Lake Properties located in the Kemess and Kamloops Mining Districts from Electrum and received a payment of $10,000 in exchange for Portable Assessment Credits that the Company transferred to Electrum for the maximum allowable five-year period.

e) Other Properties

Serengeti holds a 100% interest in a number of other properties, all of which are located in British Columbia.

8. Reclamation deposits

The Company has posted bonds and investment certificates to provide for certain potential reclamation liabilities as agreed with the Province of British Columbia – Ministry of Energy, Mines and Petroleum Resources.

		August 31, 2020		February 29, 2020
Balance, beginning	$	54,222	$	31,760
Changes during the period		22,000		22,462
Balance, ending	$	76,222	$	54,222

9. Trade payables and accrued liabilities

		August 31, 2020		February 29, 2020
Trade payables	$	55,609	$	106,826
Amounts due to related parties (Note 13)		130,609		62,233
Other payable		12,435		-
Accrued liabilities		12,000		20,000
	$	210,653	$	189,059

(Unaudited - Expressed in Canadian Dollars)

10. Lease payable

On May 1, 2019, the Company entered into an office lease agreement for a term of three years. In accordance with IFRS 16, the Company recorded a lease asset and a lease liability with a fair value of $91,661. Fair value was determined by discounting future lease payments at a discount rate of 8%.

On February 1, 2020, the Company revised the lease to reduce the amount of office space being leased, and the lease asset and lease liability were revalued to reflect changes in the future lease payments. As a result of the revaluation, the Company recorded a reduction of $13,086 in the lease liability.

The following table summarizes the lease transactions for the period ended August 31, 2020 and year ended February 29, 2020:

		August 31 2020		February 29, 2020
Balance, beginning	$	54,623	$	-
Additions, net		-		78,575
Payments made		(13,731)		(29,018)
Interest recorded		1,914		5,066
Balance, ending	$	42,806	$	54,623

		August 31 2020		February 29, 2020
Current portion	$	25,637	$	24,250
Long term portion		17,169		30,373
	$	42,806	$	54,623

11. Term loan payable

During the period ended August 31, 2020, as part of the government funded COVID-19 financial assistance programs, the Company received loan in the amount of $40,000 from the Government of Canada (CEBA term loan).

The CEBA term loan is due on December 25, 2025. The loan is interest free until December 31, 2022 and bears interest of 5% per annum thereafter. If at least 75% of the loan principal is paid before December 31, 2022, the balance of the loan will be forgiven.

12. Share capital and reserves

Authorized share capital

An unlimited number of common shares without par value.

Issued share capital

At August 31, 2020, there were 109,545,677 issued and fully paid common shares (February 29, 2020 – 109,173,573).

On June 24, 2020, the Company issued 272,104 common shares in the capital of the Company at a deemed price of $0.19 per share in settlement of $51,700 of debt owing to certain creditors who are at arm’s length.

(Unaudited - Expressed in Canadian Dollars)

12. Share capital and reserves (cont'd)

Issued share capital (cont'd)

On July 13, 2020, the Company issued 100,000 shares at a fair value of $28,000 pursuant to the option agreement on the Top Cat project (Note 7).

Basic and diluted loss per share

The basic and diluted loss per share for the period ended August 31, 2020 was $0.00 (August 31, 2019 – $0.01). The calculation of basic and diluted loss per share for the period ended August 31, 2020 was based on the loss attributable to common shareholders of $451,526 (August 31, 2019 – $650,292) and the weighted average number of common shares outstanding of 109,302,786 (August 31, 2019 – 95,712,440). The diluted loss per share does not include the effect of stock options and warrants as they are anti-dilutive. At August 30, 2020, the total number of potentially dilutive warrants was 2,397,252 (August 31, 2019 – 2,150,000) and the total number of potentially dilutive stock options was 8,861,667 (August 31, 2019 – 7,795,000). The aggregate number of potentially dilutive shares was 11,258,919 (August 31, 2019 – 9,945,000).

Warrants

The changes in warrants during the period ended August 31, 2020 and year ended February 29, 2020, are as follows:

	August 31, 2020		February 29, 2020	
	Number of warrants	**Weighted average exercise price**	**Number of warrants**	**Weighted average exercise price**
Warrants outstanding, beginning	2,397,252	$ 0.26	2,150,000	$ 0.22
Warrants issued	-	-	2,397,252	0.26
Warrants exercised	-	-	(325,000)	0.22
Warrants expired	-	-	(1,825,000)	0.22
Warrants outstanding, ending	2,397,252	$ 0.26	2,397,252	$ 0.26

Warrants outstanding at August 31, 2020 are as follows:

Number of warrants	Exercise price	Expiry date
379,260	$0.25	December 17, 2021
52,850	$0.25	December 19, 2021
1,965,142	$0.26	January 16, 2022
2,397,252		

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with TSX-V policies, grant to directors, officers, employees and consultants of the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance does not exceed a fixed total of 12,624,000. Such options may be exercisable for a period of up to five years from the date of grant.

(Unaudited - Expressed in Canadian Dollars)

12. Share capital and reserves (cont'd)

***Stock options** (cont'd)*

The changes in stock options during the period ended August 31, 2020 and year ended February 29, 2020, are as follows:

	August 31, 2020		February 29, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	9,320,000	$ 0.15	6,195,000	$ 0.11
Options granted	-	-	3,350,000	0.23
Options exercised	-	-	(200,000)	0.06
Options expired	(250,000)	0.17	(25,000)	0.23
Options outstanding, ending	9,070,000	$ 0.16	9,320,000	$ 0.16
Options exercisable, ending	8,861,667	$ 0.15	8,674,167	$ 0.15

Details of options outstanding as at August 31, 2020 are as follows:

Weighted average exercise price	Weighted average contractual life	Number of options outstanding	Number of options exercisable
$0.05 - $0.095	0.55 years	2,445,000	2,445,000
$0.15 - $0.30	2.86 years	6,625,000	6,416,667
	2.24 years	9,070,000	8,861,667

During the period ended August 31, 2020, the Company recorded share-based payments of $37,642 (2019 – $291,556) relating to options vested during the period.

Flow-through premium liability

For the purposes of calculating any premium related to the issuances of the flow-through shares, the Company compares the market price of its shares to the subscription price of flow-through shares to determine if there was a premium paid on the flow-through shares. As a result, the Company's flow-through liability on issuance of flow-through shares in connection with private placements is as follows:

	August 31 2020	February 29, 2020
Balance, beginning of period	$ 327,707	$ -
Additions	-	770,260
Reversal	(47,177)	(442,553)
Balance, end of period	$ 280,530	$ 327,707

As at August 31, 2020, the Company is committed to spending approximately $1,388,975 in connection with its flow-through offerings (February 29, 2020 - $1,615,427).

(Unaudited - Expressed in Canadian Dollars)

13. Related party transactions

Related party balances

The following amounts due to related parties are included in trade payables and accrued liabilities (Note 9). These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

		August 31, 2020		February 29, 2020
Directors and officers of the Company	$	130,609	$	62,233

Key management personnel compensation – paid or accrued

Key management personnel include those persons having authority and responsibility for planning, directing and controlling activities of the Company as a whole. The Company has determined that its key management personnel consists of the Company's Board of Directors and corporate officers.

Amounts recorded for key management personnel are as follows:

		Six-month period ended Augsut 31, 2020		Six-month period ended Augsut 31, 2019
Management fees	$	113,812	$	91,759
Consulting (1)		43,548		93,825
Director fees (2)		38,000		31,739
Share-based payments		26,282		234,205
	$	221,642	$	451,528

(1) Includes accounting fees paid to a company controlled by the CFO of $33,243 (2019: $35,055).

(2) $38,000 of director fees were accrued

14. Commitments

On April 1, 2020, the Company entered into a lease agreement for two years. Minimum lease payments under the agreement are $12,000 for the year ended February 2021.

15. Financial instruments

The Company's financial instruments consists of cash and cash equivalents, receivables, reclamation deposits and trade payables and accrued liabilities. The carrying values of cash and cash equivalents, receivables, reclamation deposits and trade payables and accrued liabilities approximate their fair value because of their relatively short-term nature on the instruments.

<u>There are three levels of the fair value hierarchy as follows:</u>

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

15. Financial instruments (cont'd)

All financial instruments other than cash and cash equivalents are measured using level 2 inputs.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is summarized as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and cash equivalents held in bank accounts. The majority of cash is deposited in bank accounts at a major bank in Canada. As most of the Company's cash and cash equivalents are held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company aims to have sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from its ability to raise equity capital or borrowings sufficient funds and its holdings of cash and cash equivalents.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

Capital Management

The Company's policy is, if permitted by market conditions, to maintain a strong capital base so as to support investor and creditor confidence and support future development of the business. The capital structure of the Company consists of equity, comprising share capital and reserves net of accumulated deficit.

There were no changes in the Company's approach to capital management during the period.

The Company is not subject to any externally imposed capital requirements.

16. Subsequent events

Shares issued:

In September 2020, 575,000 stock options were exercised for gross proceeds of $28,750 and 71,091 of finder warrants were exercised for gross proceeds of $17,774.

In October 2020, 200,000 stock options were exercised for gross proceeds of $22,000 and 8,750 of warrants were exercised for gross proceeds of $2,275.

Option grant:

On September 4, 2020, the Company granted 190,000 stock options to employees and consultants, exercisable at $0.30 for a period of five years.